



Asset Management Strategy

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1. EXECUTIVE SUMMARY

1.1. Introduction

The Asset Management Strategy is a high level action plan that gives effect to Council's Asset Management Policy and gives the approach for developing Asset Management Plans. Currently the Shoalhaven City Council is the custodian of community assets with a fair value of over \$3.828 Billion. There are legislative and community expectations that council assets are managed to provide the greatest benefits, at the lowest whole-of-life costs, for all residents, landowners and visitors.

A comprehensive Asset Management (AM) system is required to meet the community's expectation and to satisfy statutory and financial imperatives.

An AM system must include:

- asset registers
- the condition of assets
- appropriate maintenance, operational and renewal regimes and systems
- risk analysis
- capability of predicting future capital investment
- prediction of the deterioration in the level of service provided by assets over time
- capability to model 'what if' scenarios
- life cycle costing

[Integrated Planning and Reporting Manual for Local Government in NSW 2013](#) (Page 79)

The creation of an effective AM system requires many resources and takes a long time for a complex organization such as a local council. Consequently, a component of the Asset Management Strategy must be a plan to fully develop and implement an AM system as well as lead corporate change to improve asset management. This is called the Asset Management Improvement Plan (AMIP).

[Integrated Planning and Reporting Manual for Local Government in NSW 2013](#) (page 85)

1.2. Objectives

There are three main outcomes of an Asset Management Strategy (AMS). These are:

- aligning Council's asset base, and its associated levels of service, with the objectives contained in the [Community Strategic Plan \(CSP\)](#),
- improving Council's Asset Management practices, and
- Assist in addressing improved long term sustainability of assets for future generations.

As the AMS is aligned with the CSP, it adopts its minimum timeframe of 10 years. This alignment is also consistent with the Long Term Financial Plan and the Asset Management Plans. However, it also has a view to sustainability beyond the 10 year timeframe.

1.3. Approach

Although there was significant community engagement in developing CSP objectives and strategies, the discussions and feedback on the levels of service the community desires or will tolerate for each category of assets require further community input.

The agreed levels of service are important as they influence all asset management decisions. The community needs to be aware of resourcing, environmental and other constraints before agreement can be reached on sustainable levels of service. Previous community engagements on levels of service have included surveys and targeted community meetings but it was difficult to obtain consensus and for the community to fully understand the concept of “sustainable levels of service”.

Most current Asset Management Plans (AMPs) contain Levels of Service (LOS) based on historic operational and risk management needs and budgets. Although some community consultation has occurred on these AMPs with 2013 exhibitions of AMPs for review and considering feedback from community groups, community engagement has identified levels of service need to be clarified for certain AMPs.

The approach to refine LOS will be to:

- Assume current levels remain until changes are discussed with the community and adopted by the Council for each asset category
- Continue the LOS community engagement for asset categories with the most significant financial impacts such as roads assets
- Some asset types may not require or benefit from community engagement where there are overriding legislative safety requirements that determine LOS e.g. Drainage
- Define a LOS at the lowest financially feasible and environmentally practical levels for each asset category, consistent with CSP objectives. These will be known as the Sustainable Levels of Service (SLOS).
- Assets will then be maintained in a condition to meet the SLOS for that asset category

It is important to note that the SLOS condition is NOT the same as the Division of Local Government defined ‘satisfactory standard’ LOS or ‘FAIR condition’. These could be described as the desirable condition of assets whereas the SLOS condition is a minimum acceptable level. (Reference the DLG’s Planning and Reporting Guidelines for Local Government in NSW (2010)).

A key challenge to all Councils is the very large ‘gap’ between the current condition of their assets and the condition required to deliver the DLG’s GOOD condition. In fact, the gap, both in terms of clawing back the backlog of renewal and maintenance, and continuing to fund to adequate levels, is arguably too large to bridge without extreme changes.

In response to this, a key component of this strategy is to define SLOS condition as well as the DLG defined GOOD condition, to use this as a medium term target, and to report to the community accordingly.

1.4. Recommendations (key strategies)

The actions required to improve asset management at Shoalhaven City Council are detailed in the Asset Management Improvement Plan.

The main recommendations with resourcing and timeframes are –

- Define Sustainable Levels of Service (SLOS) with community for all appropriate asset categories
- Determine effect of achieving / maintaining SLOS on Long Term Financial Plan
- Document processes & procedures for recording new assets, adjusting budgets for new assets and valuing assets and train staff as required
- Continuously improve mapping of GIS – assets
- Investigate an asset management system by considering the following corporate systems
 - Asset register
 - Finance
 - Customer requests
 - Records
 - Work programming and
 - Job cost / timesheets
- Progressively update AMPs
- Increasing allocations be made in the Long Term Financial Plan for asset renewal and for the maintenance backlog resulting from agreed SLOS(subject to special rate variation).

2. INTRODUCTION

2.1. Asset Management Strategy Definition

The definition of an Asset Management Strategy is – *A strategy for asset management covering development and implementation of plans and programs for asset creation, operation, maintenance, rehabilitation/replacement, disposal and performance monitoring to ensure desired level of service and other operational objectives are achieved at optimum cost.*

2.2. Assets Included Under This Strategy

This AMS includes all Council's infrastructure assets, typically

- Public and Community Buildings
- Recreation & Leisure
- Road Network
- Water and Sewerage

It does not include

- Land
- Plant & Equipment (including fleet)
- Office equipment, furniture & IT hardware

2.3. Legislative Requirements

Changes to the Local Government Act require Councils to consider asset management as part of their Resourcing Strategies. Guidelines issued by the [NSW Office of Local Government](#) (OLG) are referenced in the legislation and Councils must comply with these.

The OLG has the following requirements with regard to asset management (references to Asset Management Strategy are in bold) –

- Each Council must account for and plan for all of the existing assets under its ownership, and any new asset solutions proposed in its Community Strategic Plan and Delivery Program.
- Each Council must prepare an **Asset Management Strategy** and Asset Management Plan/s to support the Community Strategic Plan and Delivery Program.
- The **Asset Management Strategy** and Plan/s must be for a minimum timeframe of 10 years.
- The **Asset Management Strategy** must include a council endorsed Asset Management Policy.
- The **Asset Management Strategy** must identify assets that are critical to the council's operations and outline risk management strategies for these assets.
- The **Asset Management Strategy** must include specific actions required to improve council's asset management capability and projected resource requirements and timeframes.
- The Asset Management Plan/s must encompass all the assets under a council's control.
- The Asset Management Plan/s must identify asset service standards.
- The Asset Management Plan/s must contain long term projections of asset maintenance, rehabilitation and replacement costs.

3. ASSET MANAGEMENT POLICY

Council has adopted an [Asset Management Policy](#).

- Adequate resources shall be provided to enable inspections to identify hazards and asset condition.
- Utilisation and operating/maintenance costs shall be monitored to ensure that costs do not outweigh the benefits derived.
- Minimum utilisation measures shall be determined for all building structures to determine surplus building assets.

A number of these actions will be included in Section 10 - *Asset Management Improvement Plan*.

4. SUMMARY OF EXISTING ASSETS

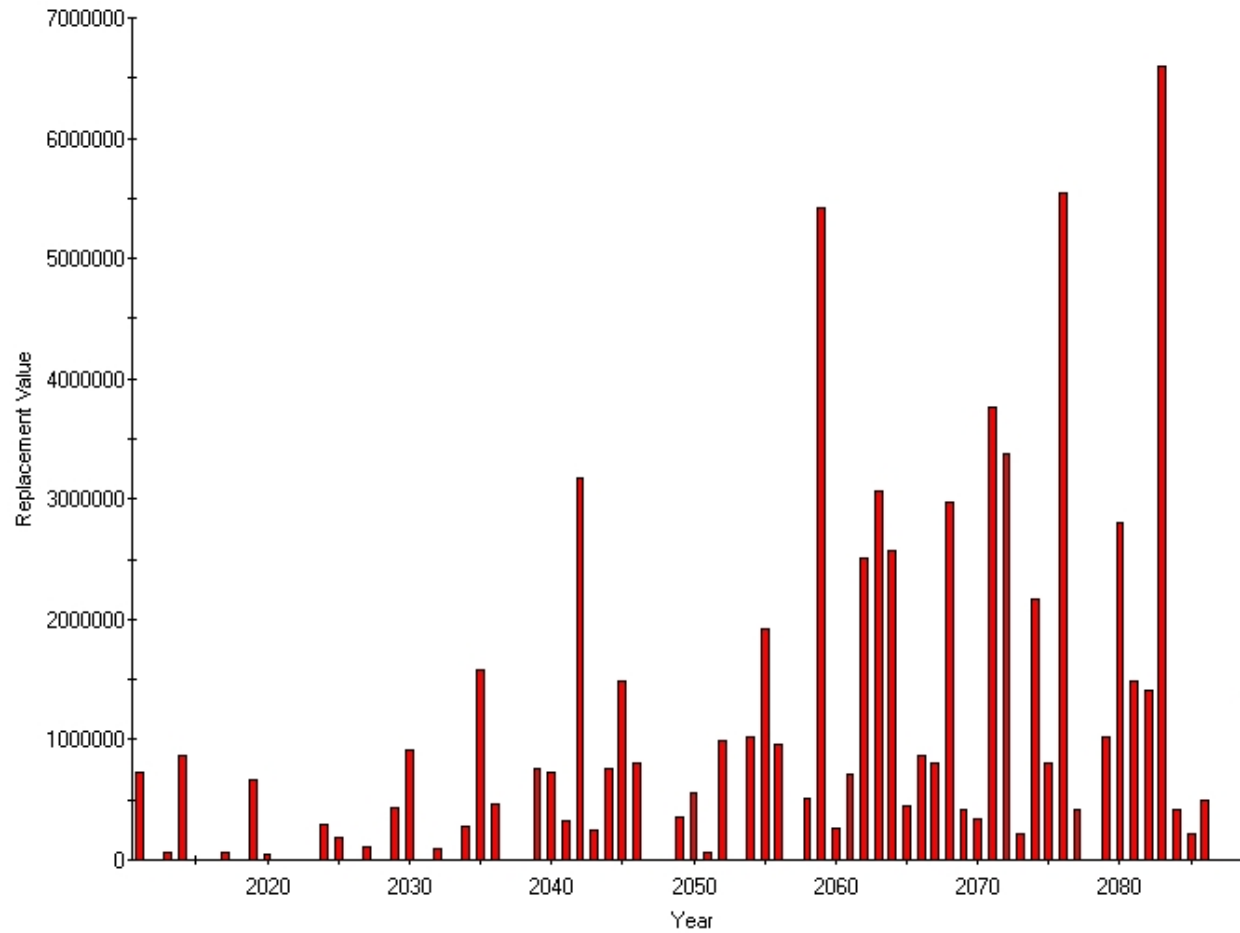
4.1. Asset Value

The total value of all infrastructure assets is over \$3.9 billion. This equates to an annual depreciation in asset value of about \$55 million as per the 2015/16 Financial Statements. Council is committed (as per the Asset Management Policy) to increase the funding for asset renewal to 90 to 95% of required funding.

4.2. Asset Condition

It is considered that overall the current asset base is in reasonable condition. However, similar to many LGAs there is expected to be a significant funding gap for asset renewal in the coming decades. The chart at Figure 1 (showing forecast bridge renewal costs) is an example of future funding needs. Further work is required to fully define renewal forecasts for all asset classes. This is a priority project to finalise and will allow for a review of annual renewal budget needs.

Replacement Cost



Current Filter: Copy of Bridges

Figure 1 – Review of Bridges

4.3. Asset Extent

The Asset base consists of the following -

Name	Value
Plant and Equipment	\$64,122,000
Office Equipment	\$21,426,000
Furniture and Fittings	\$3,648,000
Land	\$362,702,000
Buildings	\$404,574,000
Other Structures	\$35,301,000
Roads	\$1,020,807,000
Bridges	\$96,860,000
Footpaths	\$64,981,000
Bulk Earthworks – Road Network (non depreciable)	\$102,167,000
Stormwater	\$183,978,000
Water Supply network	\$625,727,000
Sewerage network	\$690,638,000
Swimming Pools (Shell Only)	\$22,519,000
Other open space/recreational	\$34,642,000
Other infrastructure	\$84,266,000
Library books	\$7,649,000
Tip Assets	\$2,176,000
Total	\$3,828,183,000

As per Note 9a, page 47 [Financial Statements 2015-16](#)

4.4. Current Situation

All Assets have been included in *Conquest* the corporate Asset Register except for

- Plant & Equipment
- Office Equipment
- IT and
- Land.

It is proposed to combine all assets into the new asset software solution.

4.5. Critical Assets

Are assets that are likely to result in a more significant social, environmental or financial cost Council has recognised its critical assets as;

- Water and Sewer
- Road Network
- Administrative Centres

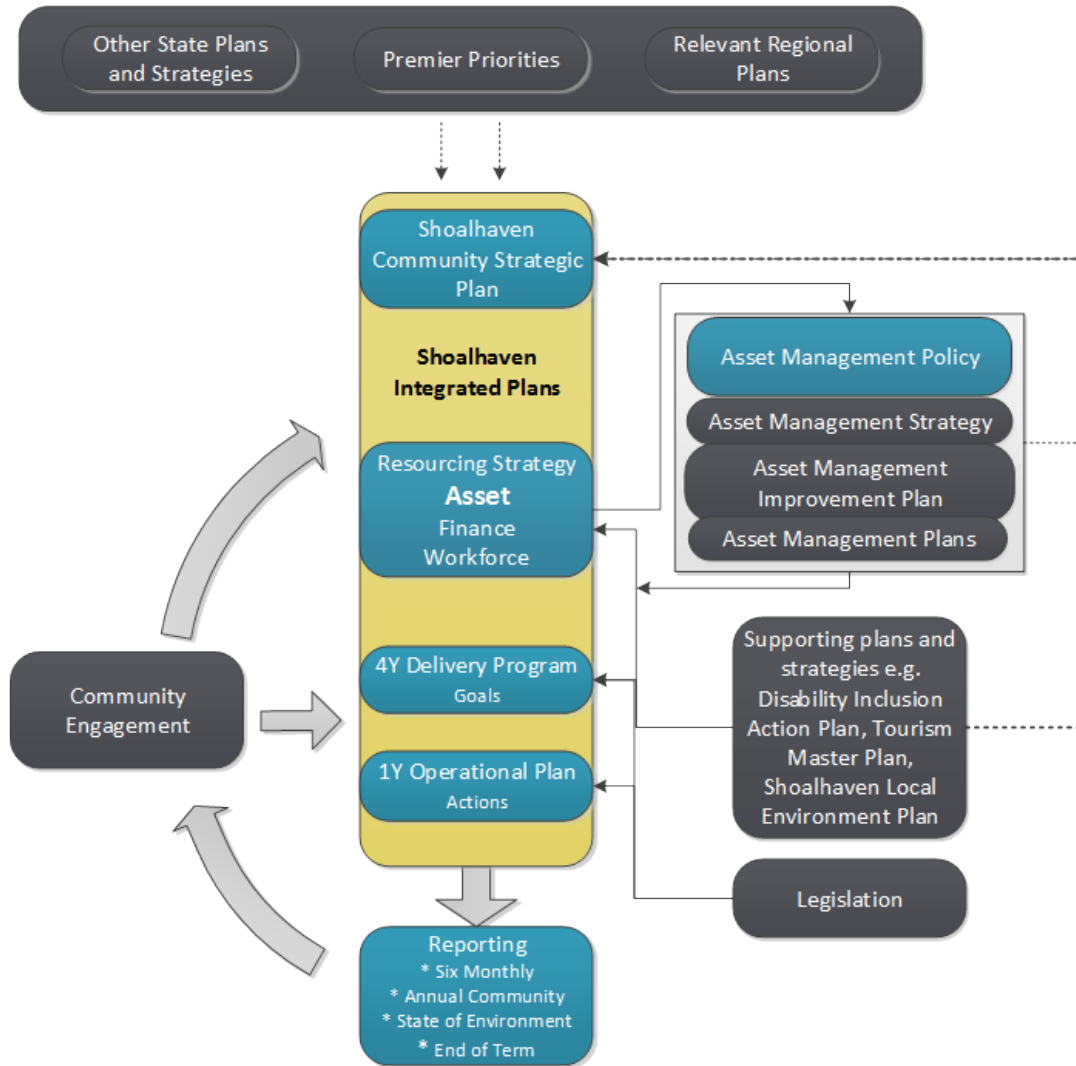
Risk management procedures have been developed for these assets including emergency response, business continuity and condition monitoring

5. COMMUNITY STRATEGIC PLAN

5.1. Introduction

As part of the Integrated Planning and Reporting Framework, the Community Strategic Plan (CSP) sits at the top of Council’s planning hierarchy and identifies the community’s main priorities and expectations for the future and ways to achieve these goals.

Integrated Planning and Reporting Framework



July 2017

Referencing the above diagram, Asset Management Plans provide essential corporate information to assist in the preparation of the *Community Strategic Plan*, *Long Term Financial Plan* and the *Delivery Program*. The Asset Management Plans also need to reflect the above objectives.

The CSP identifies priority to the following programs –

- Pedestrian & cycle paths
- Public transport
- Library services
- Active & passive recreation
- Town centre and town entrance improvements
- Environment
- Stormwater, particularly quality

These priorities will need to be addressed in future Operational Plans. However, to better plan these activities it is essential to develop linkages between the asset register and a mapping system (GIS).

6. 10 YEAR CAPITAL WORKS PROGRAM

The 10 Year Capital Works Program (CWP) is based on Council's 'Fit for the Future' submission and its application to IPART for a Special Rate Variation for 2017/18 and onwards.

The CWP predominantly includes asset renewal projects to gradually improve financial sustainability indicators over the life of the CWP.

Asset renewal projects have been derived from their respective Asset Management Plans.

However, there will still be a need to refine the corporate ranking method for capital projects that reflects the desires expressed in the Community Strategic Plan, Risk Management, best value renewal and statutory obligations.

7. ASSET INFORMATION SYSTEMS

Council has acquired *Conquest* as the corporate asset register. Council also has Arcmap as the corporate GIS.

Building insurance data is included in an 'Access' database and includes the unique Asset Id identifier used by *Conquest*. Hence, there is a link between insurance information and the asset register.

It has been recognised that it is essential to establish direct or indirect links between *Conquest* and the following systems –

- Finance
- Customer requests
- Mapping
- Records
- Works programming
- Job cost/timesheets and
- Asset Management Plans

Council has purchased an integrated software solution and is implementing this over the current and next financial years. The success of this integration is considered essential for better asset management.

8. ASSET DATA

Although all data has been gathered with regard to what is council's asset base, there is still more work required to confirm asset condition and costs. Currently, asset data is not readily viewable by asset custodians to validate owing to software constraints.

It is expected that data accuracy will improve as integrated software is implanted and more surveys and condition inspections are undertaken. However, existing information is suitable for undertaking network modelling.

The current financial/costing system does not allow for operating/maintenance costs to be attributed to an asset. Ideally, infrastructure expenditure should be identified in the accounting system by –

- Category (e.g. road pavement, building A, park A)
- Expenditure type – operating, maintenance, capital renewal, capital upgrade or capital expansion.

Again, integrated software is to address the short coming.

Further work and processes are required to ensure that asset staff are informed when assets are acquired and/or changed. This is essential to ensure that the Asset Register is kept up to date and valid. A transformation taskforce on Asset Management has identified continuous improvement. Processes, procedures and flowcharts have been developed.

The linking of financial, customer request and other corporate systems to Conquest will ensure a higher level of asset information is available

9. ASSET MANAGEMENT PLANS

9.1. Introduction

The AM Strategy is developed at an organisational level whereas separate AM plans are usually prepared for each asset portfolio. For a local government, covering multiple portfolios, it is not uncommon for there to be 10-20 Portfolio AM Plans in place across the organisation. Asset Management Plans have been developed and reviewed for the following asset categories.

Asset Management Plans
Administration Buildings
Aquatic Facilities
Arts and Crafts Buildings
Bridges and Culverts

Bus Shelters
Car Parks – Commercial
Cemeteries
Coastal and Estuary Assets
Community Buildings
Courts – Tennis and Netball
Cultural Centres
Drainage
Early Childhood Services
Emergency Services (RFS, Emergency Management Centre & Marine Rescue)
Flood Mitigation Drainage Structures
Footpaths And Cycleways (Pedestrian Facilities Program)
Holiday Haven Tourist Facilities
Kerb and Gutter
Libraries
Parks and Reserves
Parks and Reserves - Playgrounds
Public Amenities
Public Halls and Community Centres
Scouts and Guide Club Facilities
Shoalhaven Animal Shelter
Shoalhaven Entertainment Centre
Streetscapes / CBD's
Surf Lifesaving Clubs
Telecommunications Facilities (Shoalwater)
Traffic Facilities
Transport Infrastructure (Sealed Roads)
Transport Infrastructure (Unsealed Roads)
Walking Tracks
Wastewater Supply (Shoalwater)
Water Supply (Shoalwater)
Waterways Infrastructure (Boating Facilities)
Works Depots

The AM Improvement Plan has highlighted that not all assets have a corresponding AM plan. These include natural areas.

AM plans contain:

1. Executive Summary
2. Asset Description
3. Levels of Service
4. Future Demand
5. Lifecycle Management Plan
6. Risk Management Plan
7. Financial Summary
8. Plan for improvement and Monitoring

Reference: *Section 4.2, pge4/33, IMM 2015*

- A description of the asset category and the services delivered
- The key standards, systems and guidelines which influence asset management activities
- Levels of service (current and desired) and a system of performance measures
- Factors influencing future demand and the impacts of changing demand
- Management of risk
- Summary of life cycle strategies
- Long term cash flow projections
- Links to the Community Strategic Plan, Long Term Financial Plan, Delivery Program and Operational Plan, through capital and maintenance programs.

As indicated in the Asset Management Policy, Council is guided in the development of asset management by the *IPWEA International Infrastructure Management Manual (2015)*.

9.2. AMP Recommendations

The following recommendations were included in adopted AMPs and require consideration. However, these have not been based on refined SLOS considerations but rather on preliminary community consultation and operational or efficiency grounds.

- Annual budget for all asset types should be prepared on an ‘activity’ basis not a ‘resource’ basis.
- An appropriate occupation of council owned or managed land policy has been adopted and should be adhered to.
- The management arrangement and fees for tennis courts should be reviewed including a review of the needs at each village.
- The mowing frequency (level of service) for passive recreation areas should be continually reviewed with the local community
- Review the engineering consent conditions for sealing access roads when the increase in traffic generation will increase overall traffic volume above 80 VPD.
- Monitoring and Improvement Programme – Asset Management Plans are dynamic documents reflecting and responding to changes over time and in accordance with the

Asset Management Improvement Programme (AMIP) available. Monitoring of the AMP is required to ensure compliance with the proposed improvement program milestone and to ensure compliance with adopted standards and procedures for condition and performance.

- Consolidation of Asset Management Plans may occur in the future for Community Buildings to include Arts and Crafts, Scouts and Guides and others.

10. LEVELS OF SERVICE

Levels of Service have been specified in most AMPs.

- The AMPs were publically advertised; however, public written comments were limited
- Council staff also attended community consultative body (CCB's) meetings to discuss and requested delegates to be on the taskforces to review AMPs. In general CCB's stated LOS were acceptable.
- Additionally, there was significant public input into the development of the Community Strategic Plan in 2016/17; however, input was also limited with regard to 'levels of service'.
- LOS surveys have been undertaken on Councils website in the past years with pictures and the respondents identifying if it is or is not acceptable.

The AM Policy includes a provision –

- To agree on appropriate 'levels of service' asset performance.

To achieve significant community engagement in the reviewing of sustainable 'levels of service' (SLOS) would require considerable resources and this is not currently funded. However, this is one of the higher priority asset management activities that need to be completed. Bids will be submitted for future operational budget funding for this activity.

It is proposed to clarify and identify proposed 'levels of service' internally and then engage the community to refine the levels of service to determining the SLOS for each asset category.

The way that assets are managed in an organisation is a critical component of customer satisfaction. In that customers expect the assets of Shoalhaven City Council to provide them with defined service levels. For example, a building that is clean, vibrant, in the right location, will make a difference to the community perception of what is a good service.

The current levels of service are shown at Attachment 2.

11. ASSET MANAGEMENT RESOURCING

Current asset management staff consists of –

- Asset Management Manager (part time on AM)
- Asset Strategy Unit Manager (part time on AM)
- Asset Inspector Buildings (part time on AM)
- Asset Officer (part time on AM)

- Asset Officer – Asset Management Plans (full time on AM)
- Roads Assets Manager (part time on AM)
- Asset Inspector - Roads (full time on AM)
- Asset Officer - Roads (full time on AM)

There are only four staff members working full time on asset management with three mainly in the area of data collection and data control of asset registers. For an organization the size of SCC, it is considered that AM is under-resourced.

It is noted that it is common for a reasonable sized LGA to have a specialised Asset Management Coordinator and assistant to oversee and implement the Asset Management Strategy and to review and update Asset Management Plans. This is separate to required inspection and IT staff.

The critical areas of under-resourcing being –

- Computer expertise especially GIS
- Road pavement management systems
- AMP reviews
- Data management
- Community liaison particularly ‘levels of service’ and service satisfaction

A review of position descriptions within the Asset Management Section has addressed some of the current under-resourced areas but, with limited scope for increasing staff levels and operational budgets, the likely outcome will be an extended duration for implementing the Asset Management Improvement Plan.

12. ASSET MANAGEMENT IMPROVEMENT PLAN (AMIP)

12.1. Introduction

An AM Improvement Plan details actions necessary to progress from the current situation to eventually achieving the expected outcomes of the CSP. The Improvement Plan therefore needs to fill any gap or deficiency in asset knowledge, systems, resources and service levels to meet these outcomes. The AM Plan covers the following groupings:

- AM preparation
- AM process improvement
- AM information system improvement
- AM data improvement
- AM organisation and training.

The deficiencies in AM capability have been recognised by various methods including

- self-assessment tools for AM
- comparison with ‘best practice’ AM publications e.g. International Infrastructure Management Manual
- discussions with reference groups and
- staff knowledge and experience.

The detailed AMIP, which includes timings and responsibilities, is contained in Attachment 3.

12.2. Priority Actions

12.2.1. AM Preparation

- Ensure an asset service investment analysis is taken for all new and replaced or proposed to be replaced assets which includes whole of life costs.
- Complete Asset Management Plans (AMPs) for Information Technology, Shoalhaven Indoor Sports Facility, Natural Areas, Tourist Parks and Closed Circuit Television for Public Open Areas.
- Asset Management staff to liaise with Asset Custodians to review Business Plans to ensure it contains adequate asset management.
- Review existing Asset Management Plans to identify opportunities for amalgamation. Community Buildings to include – Arts and Crafts and Scouts and Guides.
- Define current and ideal levels of service and performance measures for each asset category.
- Undertake Community engagement to review levels of service and agree on the 'sustainable' level of service (SLOS) for each asset category.
- Update financial and demand projections in existing AMPs.
- Continuously update and review AMPs.

12.2.2. AM process improvement

- Document corporate responsibilities for the maintenance of asset information.
- Document processes/procedures for updating asset information.
- Establish appropriate valuation, depreciation and effective life procedures for each asset category.
- Refine the procedure for recording asset acquisition and ensure maintenance/construction staff are educated to follow the procedure.
- Develop the procedure for recognition of contributed assets and ensure development services staff are educated to follow the procedure.
- Develop the procedure to ensure that annual operation/maintenance budgets include an allowance for additional costs arising from the addition of new assets through development, acquisition, dedication or leasing and/or licensing as well as an allowance to cover cost increases in line with indices relevant to each asset class.
- Develop utilisation measures and record utilisation for all buildings and recommend surplus building assets.
- Review the management & leasing arrangements for tennis courts and determine sustainable rentals and extent of facilities required in each village.
- Workshop with stakeholders of community infrastructure various delivery models to seek best value outcomes
- Better define business case approach and roles for Council's 'business unit' assets e.g. leisure centres.
- Develop protocols for inputting AMP information into annual budget process for operational and capital works programs
- Develop strategies to meet financial challenges eg how fast to bridge the maintenance and renewal 'gap'; how much and how quickly to contribute to 'growth' assets

12.2.3. AM information system improvement

- Link the financial system with AM database (Conquest).
- Link the Geographic Information System (GIS) with Conquest.
- Link the Maintenance Management System with Conquest.

- Link the customer request system (Merit) to Conquest.
- Develop an AM integration module for linked systems.
- Develop a Capital Works database to show the priority and whole of life costs of all identified future projects with projects able to be viewed graphically
- Provide definitions, data and links from the AM information system for statutory and financial reporting to allow automated and consistent completion of reports.

12.2.4. AM data improvement

- Undertake condition audits to drainage assets
- Determine and enter in Conquest the residual life for all assets
- Document asset register replacement unit rate calculations and enter rates in Conquest.
- Review annual renewal funding needs for all asset classes and revise the 10 Year Financial Plan
- Record works and cost information per asset for optimum whole-of-life calculations.
- Include proposed assets and predicted cash-flows in a Capital Works Database and link the database to a mapping system.
- Record outcomes of statutory inspections per asset in Conquest.

12.2.5. AM organisation and training

- Review resource requirements for immediate needs (particularly to consider the need for an Asset Management Coordinator) and review as AM system functionality and maturity changes.
- Review the frequency of condition assessments and risk inspections for various asset categories and ensure adequate resources are available.
- Develop training and succession plans for staff involved in AM.
- Complete the integration of the AM system with corporate systems and processes.

13. GLOSSARY

This glossary is provided for use with the Asset Management Policy, Asset Management Strategy and Asset Management Plans.

Asset

A resource controlled by Council to provide a service.

Asset condition assessment

The process of continuous or periodic inspection, assessment, measurement and interpretation of the resultant data to indicate the condition of a specific asset so as to determine the need for some preventative or remedial action.

Asset category

Sub-group of assets within a class hierarchy for financial reporting and management purposes.

Asset class

A group of assets having a similar nature or function in the operations of an entity, and which, for purposes of disclosure, is shown as a single item without supplementary disclosure.

Asset management

A systematic process to guide the planning, acquisition, operation and maintenance, renewal and disposal of asset based on the combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the required level of service in the most cost effective manner.

Asset Management Plan (AMP)

Long term plans for infrastructure assets that outline the asset activities for each service area and resources applied to provide a defined level of service in the most cost effective way.

Asset Register

A record of asset information including condition, construction, financial, historical, inventory and technical details

Asset renewal funding ratio

The ratio of the net present value of asset renewal funding accommodated over a 10 year period in a long term financial plan relative to the net present value of projected capital renewal expenditures identified in an asset management plan for the same period [AIFMG Financial Sustainability Indicator No 8].

Average annual asset consumption (AAAC)*

The amount of an organisation’s asset base consumed during a reporting period (generally a year). This may be calculated by dividing the depreciable amount by the useful life (or total future economic benefits/service potential) and totalled for each and every asset OR by dividing the carrying amount (depreciated replacement cost) by the remaining useful life (or remaining future economic benefits/service potential) and totalled for each and every asset in an asset category or class.

Borrowings

A borrowing or loan is a contractual obligation of the borrowing entity to deliver cash or another financial asset to the lending entity over a specified period of time or at a specified point in time, to cover both the initial capital provided and the cost of the interest incurred for providing this capital. A borrowing or loan provides the means for the borrowing entity to finance outlays (typically physical assets) when it has insufficient funds of its own to do so, and for the lending entity to make a financial return, normally in the form of interest revenue, on the funding provided.

Capital expansion expenditure

Expenditure that extends an existing asset, at the same standard as is currently enjoyed by residents, to a new group of users. It is discretionary expenditure, which increases future operating, and maintenance costs, because it increases council’s asset base, but may be associated with additional revenue from the new user group, eg. extending a drainage or road network, the provision of an oval or park in a new suburb for new residents.

Capital expenditure

Relatively large (material) expenditure, which has benefits, expected to last for more than 12 months. Capital expenditure includes renewal, expansion and upgrade. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Capital expenditure - new

Expenditure which creates a new asset providing a new service/output that did not exist beforehand. As it increases service potential it may impact revenue and will increase future operations and maintenance expenditure.

Capital expenditure - renewal

Expenditure on an existing asset or on replacing an existing asset, which returns the service capability of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it generally has no impact on revenue, but may reduce future operations and maintenance expenditure if completed at the optimum time, e.g. resurfacing or resheeting a material part of a road network, replacing a material section of a drainage network with pipes of the same capacity, resurfacing an oval.

Capital expenditure - upgrade

Expenditure, which enhances an existing asset to provide a higher level of service or expenditure that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretionary and often does not result in additional revenue unless direct user charges apply. It will increase operations and maintenance expenditure in the future because of the increase in the organisation's asset base, eg. widening the sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, enlarging a grandstand at a sporting facility.

Capital funding

Funding to pay for capital expenditure.

Capital grants

Monies received generally tied to the specific projects for which they are granted, which are often upgrade and/or expansion or new investment proposals.

Capitalisation threshold

The value of expenditure on non-current assets above which the expenditure is recognised as capital expenditure and below which the expenditure is charged as an expense in the year of acquisition.

Carrying amount

The amount at which an asset is recognised after deducting any accumulated depreciation / amortisation and accumulated impairment losses thereon.

Capital new expenditure

Expenditure which creates a new asset providing a new service to the community that did not exist beforehand. As it increases service potential it may impact revenue and will increase future operating and maintenance expenditure.

Capital renewal expenditure

Expenditure on an existing asset, which returns the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or subcomponents of the asset being renewed. As it reinstates existing service potential, it has no impact on revenue,

but may reduce future operating and maintenance expenditure if completed at the optimum time, e.g. resurfacing or resheeting a material part of a road network, replacing a material section of a drainage network with pipes of the same capacity, resurfacing an oval. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Capital upgrade expenditure

Expenditure, which enhances an existing asset to provide a higher level of service or expenditure that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretionary and often does not result in additional revenue unless direct user charges apply. It will increase operating and maintenance expenditure in the future because of the increase in the council's asset base, e.g. widening the sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, enlarging a grandstand at a sporting facility. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Capital Works

The creation of new assets or an increase in the capacity of existing assets beyond their original design capacity or service potential

Carrying amount

The amount at which an asset is recognised after deducting any accumulated depreciation / amortisation and accumulated impairment losses thereon.

Component

An individual part of an asset which contributes to the composition of the whole and can be separated from or attached to an asset or a system.

Conquest

An asset management software package that includes Council's Asset Register and Asset Maintenance System

Core asset management

Asset management which relies primarily on the use of an asset register, maintenance management systems, job resource management, inventory control, condition assessment, simple risk assessment and defined levels of service, in order to establish alternative treatment options and long-term cashflow predictions. Priorities are usually established on the basis of financial return gained by carrying out the work (rather than detailed risk analysis and optimised decision- making).

Cost of an asset

The amount of cash or cash equivalents paid or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction, plus any costs necessary to place the asset into service. This includes one-off design and project management costs.

Council

Shoalhaven City Council

Critical assets

Assets for which the financial, business or service level consequences of failure are sufficiently severe to justify proactive inspection and rehabilitation. Critical assets have a lower threshold for action than noncritical assets.

Current replacement cost (CRC)

The cost the entity would incur to acquire the asset on the reporting date. The cost is measured by reference to the lowest cost at which the gross future economic benefits could be obtained in the normal course of business or the minimum it would cost, to replace the existing asset with a technologically modern equivalent new asset (not a second hand one) with the same economic benefits (gross service potential) allowing for any differences in the quantity and quality of output and in operating costs.

Current replacement cost “As New” (CRC)

The current cost of replacing the original service potential of an existing asset, with a similar modern equivalent asset, i.e. the total cost of replacing an existing asset with an as NEW or similar asset expressed in current dollar values.

Depreciable amount

The cost of an asset, or other amount substituted for its cost, less its residual value.

Depreciated replacement cost (DRC)

The current replacement cost (CRC) of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset

Depreciation / amortisation

The wearing out, consumption or other loss of value of an asset whether arising from use, passing of time or obsolescence through technological and market changes. It is accounted by the allocation of the cost (or revalued amount) of the asset less its residual value over its useful life.

Disposal

Activities necessary to dispose of decommissioned assets

DLG

NSW Division of Local Government, Department of Premier and Cabinet

Expenditure

The spending of money on goods and services. Expenditure includes recurrent and capital.

Facility

A complex comprising many assets which represent a single management unit for financial, operational, maintenance and other purposes

Fair value

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm’s length transaction.

Financing gap

A financing gap exists whenever an entity has insufficient capacity to finance asset renewal and other expenditure necessary to be able to appropriately maintain the range and level of

services its existing asset stock was originally designed and intended to deliver. The service capability of the existing asset stock should be determined assuming no additional operating revenue, productivity improvements, or net financial liabilities above levels currently planned or projected. A current financing gap means service levels have already or are currently falling. A projected financing gap if not addressed will result in a future diminution of existing service levels.

GIS

Geographical Information System, mapping and spatial location technology systems which show location and relationship to key geographical datum points

Heritage asset

An asset with historic, artistic, scientific, technological, geographical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture and this purpose is central to the objectives of the entity holding it.

Impairment Loss

The amount by which the carrying amount of an asset exceeds its recoverable amount.

Infrastructure assets

Physical assets of the entity or of another entity that contribute to meeting the public's need for access to major economic and social facilities and services, e.g. roads, drainage, footpaths and cycleways. These are typically large, interconnected networks or portfolios of composite assets. The components of these assets may be separately maintained, renewed or replaced individually so that the required level and standard of service from the network of assets is continuously sustained. Generally the components and hence the assets have long lives. They are fixed in place and are often have no market value.

Investment property

Property held to earn rentals or for capital appreciation or both, rather than for:

- (a) use in the production or supply of goods or services or for administrative purposes; or
- (b) sale in the ordinary course of business (AASB 140.5)

Level of service

The defined service quality for a particular service against which service performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental, acceptability and cost).

Life Cycle Cost *

1. **Total LCC** The total cost of an asset throughout its life including planning, design, construction, acquisition, operation, maintenance, rehabilitation and disposal costs.
2. **Average LCC** The life cycle cost (LCC) is average cost to provide the service over the longest asset life cycle. It comprises average operations, maintenance expenditure plus asset consumption expense, represented by depreciation expense projected over 10 years. The Life Cycle Cost does not indicate the funds required to provide the service in a particular year.

Life Cycle Expenditure

The Life Cycle Expenditure (LCE) is the actual or planned annual maintenance and capital renewal expenditure incurred in providing the service in a particular year. Life Cycle

Expenditure may be compared to Life Cycle Expenditure to give an initial indicator of life cycle sustainability.

Loans / borrowings

Loans result in funds being received which are then repaid over a period of time with interest (an additional cost). Their primary benefit is in ‘spreading the burden’ of capital expenditure over time. Although loans enable works to be completed sooner, they are only ultimately cost effective where the capital works funded (generally renewals) result in operating and maintenance cost savings, which are greater than the cost of the loan (interest and charges).

Maintenance

All actions necessary for retaining an asset as near as practicable to an appropriate service condition, including regular ongoing day-to-day work necessary to keep assets operating, eg road patching but excluding rehabilitation or renewal. It is operating expenditure required to ensure that the asset reaches its expected useful life.

1. Planned maintenance

Repair work that is identified and managed through a maintenance management system (MMS). MMS activities include inspection, assessing the condition against failure/breakdown criteria/experience, prioritising scheduling, actioning the work and reporting what was done to develop a maintenance history and improve maintenance and service delivery performance.

2. Reactive maintenance

Unplanned repair work that is carried out in response to service requests and management/ supervisory directions.

3. Specific maintenance

Maintenance work to repair components or replace sub-components that needs to be identified as a specific maintenance item in the maintenance budget.

4. Unplanned maintenance

Corrective work required in the short-term to restore an asset to working condition so it can continue to deliver the required service or to maintain its level of security and integrity.

Maintenance and renewal sustainability index

Ratio of estimated budget to projected expenditure for maintenance and renewal of assets over a defined time (eg 5, 10 and 15 years).

Maintenance expenditure

Recurrent expenditure, which is periodically or regularly required as part of the anticipated schedule of works required to ensure that the asset achieves its useful life and provides the required level of service. It is expenditure, which was anticipated in determining the asset’s useful life.

Materiality

An item is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial report. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances.

Modern equivalent asset

Assets that replicate what is in existence with the most cost-effective asset performing the same level of service. It is the most cost efficient, currently available asset which will provide the same stream of services as the existing asset is capable of producing. It allows for

technology changes and, improvements and efficiencies in production and installation techniques

Net present value (NPV)

The value to the organisation of the cash flows associated with an asset, liability, activity or event calculated using a discount rate to reflect the time value of money. It is the net amount of discounted total cash inflows after deducting the value of the discounted total cash outflows arising from e.g. the continued use and subsequent disposal of the asset after deducting the value of the discounted total cash outflows.

New Works

New work expenditure is Capital Works expenditure, i.e. money spent on new works (development costs) and upgrades to an existing asset or on creating a new asset

Non-revenue generating investments

Investments for the provision of goods and services to sustain or improve services to the community that are not expected to generate any savings or revenue to the Council, eg. parks and playgrounds, footpaths, roads and bridges, libraries, etc.

Operations

Regular activities to provide services such as public health, safety and amenity, eg street sweeping, grass mowing and street lighting.

Operating expenditure

Recurrent expenditure, which is continuously required excluding maintenance and depreciation, e.g. power, fuel, staff, plant equipment, on-costs and overheads.

Operational Plan

Generally comprise detailed implementation plans and information with a 1-3 year outlook (short-term). The plans detail structure, authority, responsibilities, defined levels of service and emergency responses

Rate of annual asset consumption *

The ratio of annual asset consumption relative to the depreciable amount of the assets. It measures the amount of the consumable parts of assets that are consumed in a period (depreciation) expressed as a percentage of the depreciable amount.

Rate of annual asset renewal *

The ratio of asset renewal and replacement expenditure relative to depreciable amount for a period. It measures whether assets are being replaced at the rate they are wearing out with capital renewal expenditure expressed as a percentage of depreciable amount (capital renewal expenditure/DA).

Rate of annual asset upgrade/new *

A measure of the rate at which assets are being upgraded and expanded per annum with capital upgrade/new expenditure expressed as a percentage of depreciable amount (capital upgrade/expansion expenditure/DA).

Reactive maintenance

Unplanned repair work that carried out in response to service requests and management/supervisory directions.

Recoverable amount

The higher of an asset's fair value, less costs to sell and its value in use.

Recurrent expenditure

Relatively small (immaterial) expenditure or that which has benefits expected to last less than 12 months. Recurrent expenditure includes operating and maintenance expenditure.

Recurrent funding

Funding to pay for recurrent expenditure.

Rehabilitation

See capital renewal expenditure definition above.

Remaining Useful life

Remaining useful life is determined for each individual asset from the condition rating. It is the time that the asset provides future economic benefit, from acquisition to expected replacement, renewal in full or replacement / disposal

Renewal

Works or actions to upgrade, refurbish or replace components of an asset to restore it to near new and required functional condition, extending its current remaining life

Residual value

The net amount which an entity expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.

Revenue generating investments

Investments for the provision of goods and services to sustain or improve services to the community that are expected to generate some savings or revenue to offset operating costs, e.g. public halls and theatres, childcare centres, sporting and recreation facilities, tourist information centres, etc.

Risk management

The application of a formal process to the range of possible values relating to key factors associated with a risk in order to determine the resultant ranges of outcomes and their probability of occurrence.

Section or segment

A self-contained part or piece of an infrastructure asset.

Service

A benefit gained from utilising or accessing an asset and the associated work done by Council staff or others associated with the Council

Service expectation

The description of Level of Service available to users of an asset and any associated services, as described in consultation for developing and reviewing the Community Strategic Plan

Specific Maintenance

Replacement of higher value components/sub-components of assets that is undertaken on a regular cycle including repainting, replacement of air conditioning equipment, etc. This work generally falls below the capital/ maintenance threshold and needs to be identified in a specific maintenance budget allocation.

Strategic Longer-Term Plan

A plan covering the term of office of councillors (4 years minimum) reflecting the needs of the community for the foreseeable future. It brings together the detailed requirements in the Council's longer-term plans such as the asset management plan and the long-term financial plan. The plan is prepared in consultation with the community and details where the Council is at that point in time, where it wants to go, how it is going to get there, mechanisms for monitoring the achievement of the outcomes and how the plan will be resourced.

Stakeholder

A person; group; company or government department representing an interest in an asset; project or service utilising an asset

Sub-component

Smaller individual parts that make up a component part.

Useful life

Either:

- (a) the period over which an asset is expected to be available for use by an entity, or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

It is estimated or expected time between placing the asset into service and removing it from service, or the estimated period of time over which the future economic benefits embodied in a depreciable asset, are expected to be consumed by the council. It is the same as the economic life.

Value in Use

The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. It is deemed to be depreciated replacement cost (DRC) for those assets whose future economic benefits are not primarily dependent on the asset's ability to generate new cash flows, where if deprived of the asset its future economic benefits would be replaced.

14. REVIEW

This Strategy will be reviewed

- Within 12 months of the election of a new Council
- Every 4 years
- As directed by Council
- A change occurs to legislation that affects the policy

ATTACHMENT 1 – ASSET MANAGEMENT STRATEGY – LEVELS OF SERVICE

Asset Category	Level of Service (LOS) as per AMP
Sealed Roads	<ul style="list-style-type: none"> • Repair as per RMP • LOS requires defining for overall condition and standard for various road categories
Gravel Roads	<ul style="list-style-type: none"> • Grade/repair as per RMP (average 2/annum) • Currently gravel resheet every 22 yrs; target every 10 yrs • Seal Urban Roads by 2020 • Seal Rural Roads by 2028
Kerb & Gutter	<ul style="list-style-type: none"> • Replace all 'poor' & 'failed' sections by 2022 • Meet all new needs by 2059
Bridges	<ul style="list-style-type: none"> • Priority1 defects to be \$0; Priority 2 defects to be <\$50,000 • Bridges to be replaced as required
Footpaths/Cycleways	<ul style="list-style-type: none"> • 95% bit & concrete paths to be in 'good' condition or better by 2022 • 100% paver paths to be in 'good' condition or better by 2014 • Replace all 'failed' paths by 2023 • Provide all identified needs by 2068
Bus Shelters	<ul style="list-style-type: none"> • All to be in 'good' condition or better
Traffic Facilities	<ul style="list-style-type: none"> • Replace signs every 10 years • Renew linemarking every 4 years
Car Parks	<ul style="list-style-type: none"> • LOS requires defining
Parks & Reserves	<ul style="list-style-type: none"> • LOS not defined in detail with regard to furniture & fixtures • Ideal mowing frequency published with AMP
Tennis Courts	<ul style="list-style-type: none"> • LOS requires defining
Waterways	<ul style="list-style-type: none"> • Priority1 defects to be \$0; Priority 2 defects to be <\$50,000
Walking Tracks	<ul style="list-style-type: none"> • LOS requires defining
Aquatic Facilities	<ul style="list-style-type: none"> • LOS requires defining
Public Amenities	<ul style="list-style-type: none"> • Condition and installed facilities not defined • Cleaning frequency included in AMP
Public Buildings	<ul style="list-style-type: none"> • 97% of structures to be in 'fair' condition or better
Drainage	<ul style="list-style-type: none"> • LOS included in draft AMP
Flood Mitigation	<ul style="list-style-type: none"> • LOS requires defining
Streetscapes & Furniture	<ul style="list-style-type: none"> • AMP to be prepared
Cemeteries	<ul style="list-style-type: none"> • LOS requires defining

ATTACHMENT 2 – AMIP IMPLEMENTATION SCHEDULE

1. Better Information for Better Planning	Responsible Unit	Target Completion
a. Improve the accuracy and categorisation of the data and expenditure forecasts held for asset management planning.	Asset Strategy Unit	Ongoing
b. Ensure optimum alignment between asset management planning and financial accounting and reporting in relation to assets, in particular the relationship between depreciation and asset renewal	Asset Strategy Unit	Ongoing
c. Develop a forward estimate of our capacity to fund new services and new capital project works (by asset class), and confirm the extent to which this projected capacity will meet anticipated demands and ambitions.	Asset Strategy Unit	Ongoing
i. Establish financial model	Financial Services	Ongoing
ii. Develop and test desired scenario	Asset Strategy Unit	Ongoing
iii. Review all revenue sources and advise total financial capacity	Financial Services	Ongoing
d. Identify potential asset rationalisation opportunities which would ultimately facilitate the continued provision of services but reduce maintenance and ultimate renewal costs, and engage the community on key issues associated with asset rationalisation.	Asset Strategy Unit	Ongoing
2. Systems Improvements		
a. Define desirable AMP based renewal/strategic maintenance programs	Asset Strategy Unit	Ongoing
b. Identify current spend and asset maintenance/renewal gap	Asset Strategy Unit	Ongoing
c. Recognise in long term resource allocation the full and whole-of-life range of costs - capital & operation, and immediate and on-going, including depreciation - associated with proposed new initiatives.	Asset Strategy Unit	On-going
d. Make full provision in the LTFFP for Council's forecast Section 94 Plan obligations, consistent with actual and forecast developer contributions.	Asset Strategy Unit	Ongoing
i. Adopt new Contributions Plan	Asset Strategy Unit	Ongoing
ii. Review funding flexibility and deliverability and need	Asset Strategy Unit	Ongoing
iii. Develop project plans for early/important projects	Asset Strategy Unit	Ongoing
e. Develop and integrate processes and criteria for resource allocation to competing demands for City-growth and new initiatives projects.	Asset Strategy Unit	Ongoing
3. AM Preparation		
a. Develop the Asset Management Strategy (AMS)	Asset Strategy Unit	Ongoing
i. Include 'base' case in draft AMS	Asset Strategy Unit	Ongoing
ii. Submit, advertise and report on draft AMS	Asset Strategy Unit	Ongoing
b. Define current levels of service and performance measures for each asset category.	Asset Strategy Unit	Ongoing
c. Develop risk management strategies for critical assets (DLG)	Asset Strategy Unit	Ongoing
d. Update financial and demand projections in existing AMPs.	Asset Strategy Unit	Ongoing
e. Ensure all assets are constructed and maintain to meet appropriate quality standards.	Asset Strategy Unit	On-going
f. Align AMPs with and inform CSP and DP (DLG)	Asset Strategy Unit	Ongoing

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g. Include long term and 10year financial projections in AMPs (DLG)	Asset Strategy Unit	Ongoing
4. Improve AM Processes		
a. Implement a process to improve accuracy of asset details	Asset Strategy Unit	Ongoing
b. Establish appropriate valuation, depreciation and effective life procedures for each asset category.	Asset Strategy Unit	Ongoing
c. Refine the procedure for recording asset acquisition.	Asset Strategy Unit	Ongoing
d. Establish a protocol for asset type identification	Asset Strategy Unit	Ongoing
e. Develop a framework for applying a unique identifier to an asset	Asset Strategy Unit	Ongoing
5. Improve AM Systems		
a. Link the financial system with the AM database	Information Technology - Applications	2019
b. Link the Geographic Information System (GIS) with Conquest.	Information Technology	2019
i. Implement software solution to enable asset data to be viewable	Information Technology	2019
ii. Implement a property-based search solution	Information Technology	2019
iii. Implement asset register mapping integration		
c. Link the Maintenance Management System with Asset Register	Information Technology	2019
d. Link the customer request system (merit) to Conquest.	Information Technology	2019
e. Develop an AM Integration module for linked systems.	Information Technology	2019
f. Adopt life cycle analyser tool and integrate into Council's reporting system	Asset Strategy Unit	Ongoing
g. Integrate a corporate requesting system to be searchable from the corporate asset register	Information Technology	Ongoing
6. Improve AM Data		
a. Document asset register unit rate calculations.	Asset Strategy Unit	Ongoing
b. Record works and cost information per asset for optimum whole-of-life calculations.	Asset Strategy Unit	Ongoing
c. Include proposed assets and predicted cash-flows in Conquest.	Asset Strategy Unit	Ongoing
d. Record outcomes of statutory inspections per asset in Conquest.	Asset Strategy Unit	On-going
e. Review AMPs for data reliability	Asset Strategy Unit	Ongoing
f. Review AMPs for maintenance timing/requirements	Asset Strategy Unit	Ongoing
g. Actions for AM Organisation and Training	Asset Strategy Unit	Ongoing
h. Review resource requirements as AM system functionality and maturity changes	Asset Strategy Unit	Ongoing
i. Review the frequency of condition assessments and risk inspections for various asset categories.	Asset Strategy Unit	Ongoing
j. Develop training and succession plans for staff involved in AM	Asset Strategy Unit	Ongoing
k. Complete the integration of the AM system with corporate systems and processes.	Asset Strategy Unit	Ongoing